

Industrial Special Indemnity Fund

First Quarter Report

*March 31, 2007
Calendar Year 2007
Fiscal Year 2007*



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***Industrial Special Indemnity Fund (ISIF) – First Quarter Report for Calendar Year 2007
pursuant to Idaho Code §72-324.***

Ted Roper, ISIF Manager

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BENEFITS

Annuitant Periodic Benefits

Annuitant benefits are paid to individuals who have been awarded or have negotiated a settlement for periodic monthly benefits. Benefits are paid based on a percentage of the applicable state average weekly wage for year of benefit, the year of the injury and the injured worker's average weekly wage.

STATE AVERAGE WEEKLY WAGE

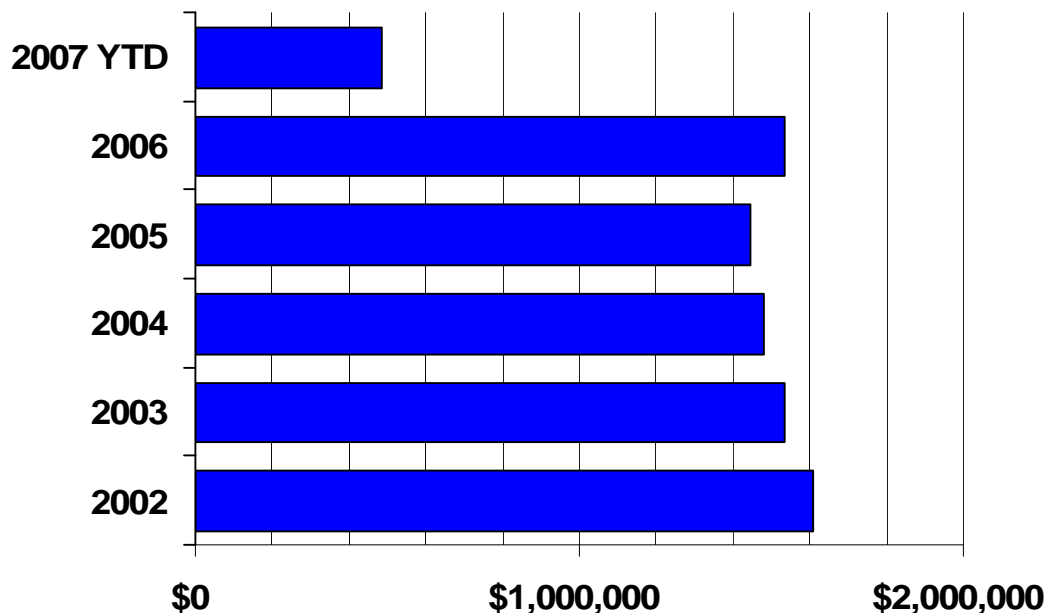
Base of 45% ASW = \$262.80

Base of 60% ASW = \$350.40

Base of 67% ASW = \$391.28

The Industrial Special Indemnity Fund ended the 1st Qtr of CY 07 with 124 annuitants receiving monthly benefits; average monthly benefit was \$1,483.27. The average Annuitant benefit paid in the 1st Qtr of CY 06 was \$1,176.60. In prior years ISIF had utilized structure annuities as a means to fund future monthly benefits for some annuitants.

ANNUITY BENEFITS - BY CALENDAR YEAR



Arrearage benefits may be owed upon settlement of a claim and prior to the commencement of current monthly benefits. An arrearage is most likely to occur on judgment loss or consent to entry of judgment claims.

MONTHLY & ARREARAGE BENEFIT

Arrearage benefits disbursed in the 1st Qtr of CY 07 was \$36,414.00; total arrearages paid in CY 2006 were \$13,080.

	CY 2007 YTD	CY 2006 YTD	CY 2006
Monthly Annuitant Payments	\$483,542	\$363,675	\$1,536,641
Arrearage Benefit	36,414	581	13,080
Total Benefit	\$519,956	\$364,256	\$1,549,721

Settlement Benefits

Lump sum and lump sum/statutory benefits are the two types of settlement options. A lump sum benefit is a one time cash (only) payment issued upon settlement of a claim. Lump sum with statutory benefits is a settlement in which a lump sum payment may be made upon settlement; however, a form of future periodic benefit is also paid.

LUMP SUM BENEFIT

NOTE: Total Lump Sum benefits paid in 1st Qtr of 2007 decreased by 60% compared to the 1st Qtr of 2006.

	CY 2007 YTD	CY 2006 YTD	CY 2006
Total Claims	4	10	31
Total Paid	\$127,818	\$407,000	\$993,000
Average Claim	\$31,955	\$40,700	\$32,032

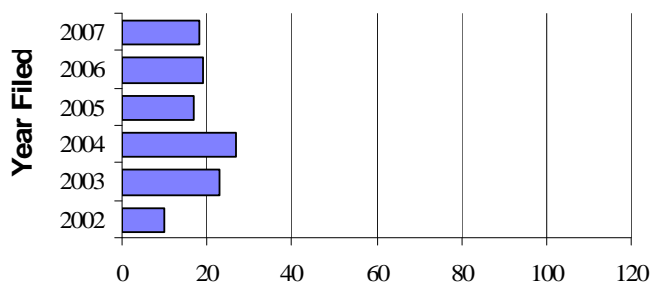
CLAIMS ADJUDICATION

Claims adjudication is a two-fold process involving both the filing of a Notice of Intent (Informal) or Workers' Compensation Complaint Against ISIF (formal) by claimants and/or employer/sureties alleging ISIF liability, and the final determination of those claims by result outcomes (non-merit, settlement or judgment loss).

New Claim Filings

Over the last six years "New Claim Filings" have continued to stabilize. In general, these claims represent potentially greater liability as workers compensation claims become more complex legally and medically, with economic downturns creating more difficult return to work issues.

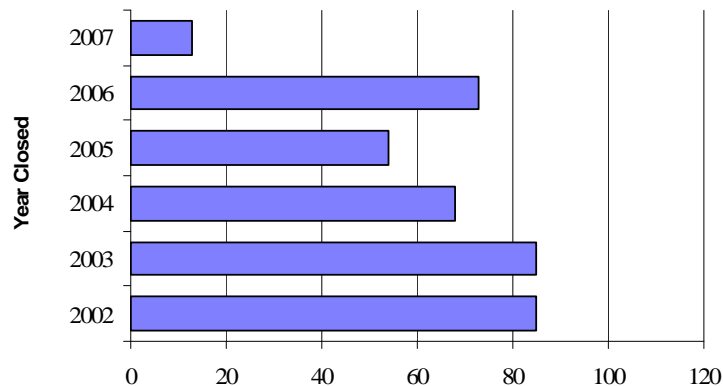
NEW CLAIMS FILED - 1st QTR OF YEAR FILED



In Calendar Year 2006, 61 new claims were received and 73 claims were closed resulting in a net of 111 open litigated claims on 1 January 2007. Open litigated claims on March 31, 2007 totaled 109.

Closed Claims

Closed claims include claims that have been denied with no complaint filed or claims that have resulted in a settlement or have been dismissed with fewer opportunities for lump sum settlements; claim closures were fewer in 2007 YTD.



LITIGATION COSTS ASSOCIATED WITH MERIT AND NON-MERIT CLAIMS

Result Outcomes

CY 2007, 1st Qtr result outcomes demonstrated a 27% decrease in the number of lump sum settlement (without benefits).

1st Quarter Litigation Report of 2007 RESULT OUTCOMES

	CY 2007 YTD	% Total	CY 2006 YTD	2006 Total	% Total
Non-merit Claims:					
Dis W/O	2	13%	1	4	9%
Dis W/P	1	7%	1	2	4%
Judg Win	4	27%	2	6	13%
Settled Claims:					
LSS	3	20%	11	31	66%
LSS/Stat Bene	2	13%	0	4	9%
Judgement Loss:					
Judg Loss	2	13%	0	0	0%
Stat No Hearing	1	7%	0	0	0%
TOTALS:	15		15	47	
Appeals:					
Affirmed	0	0%	0	0	0%
Reversed	0	0%	0	0	0%
Dismissed	0	0%	0	0	0%
TOTALS:	0		0	0	

Result Litigation Costs

Litigation Costs Comparison by Calendar Year

	LUMP SUM WITH STAT		JUDGMENT LOSS	DIS W/O	DIS W/P	JUDGE WIN
2002	66,737	8,115	43,238	61,369	13,768	135,022
2003	106,178	984	40,499	2,643	259	38,194
2004	161,926	54,065	35,928	12,190	23,729	71,204
2005	147,735	31,200	22,440	34,894	0	44,500
2006	208,691	13,981	0	38,892	1,596	121,977
Five Year - Total	\$691,267	\$108,345	\$142,105	\$149,988	\$39,352	\$410,897
Five Year- Average						
Claim Cost by Result	\$4,090	\$6,373	\$14,211	\$6,250	\$4,919	\$17,865
2007 YTD	\$28,812	\$34,059	\$39,732	\$2,886	\$30,763	\$79,094
Current Year - Average						
Claim Cost by Result	\$9,604	\$11,353	\$19,866	\$2,886	\$15,382	\$19,774

Result Outcomes Definitions:

Non-Merit Claims

- Dismissal without Prejudice – Dismissal by the Industrial Commission but allows the claimant to sue again on the same cause of action.
- Dismissal with Prejudice – Final disposition of a claim by the Industrial Commission barring the right to bring another claim on the same cause.
- Judgment Win – Final decision by the Industrial Commission on a fully litigated claim determining no liability to the ISIF.
- Denied – An in-house denial of ISIF liability.

Settled Claims

- LSS – Lump Sum settlement agreement.
- LSS/Stat Bens – Lump sum settlement that includes monthly benefits to be paid in the future.

Judgment Loss

- Judgment Loss – Final decision by the Industrial Commission on a fully litigated claim determining ISIF to have liability.

Appeal Affirmed

- Appeal from the Industrial Commission decision affirmed by the State Supreme Court

Appeal Reversed

- Appeal from the Industrial Commission decision reserved by the State Supreme Court

Litigation Expenditures

Litigation costs are expended to numerous sub-object codes as bills are paid during a claim's adjudicated life. Once the adjudication process is completed, a report is submitted to the Industrial Commission reporting all litigation costs incurred during the life of the claim. With fewer opportunities for lump sum settlements, more claims are being litigated through the hearing process.

LITIGATION EXPENDITURES

	CY 2007 1st Qtr	1st Qtr	CY 2006
Attorney Fees	147,583	\$130,390	\$592,978
Costs & Expenses	5,690	3,692	21,121
Medical/Vocational Reprt	3,360	6,583	14,932
Deposition Costs	6,216	6,727	26,038
Investigations	1,161	-	5,782
Research or Briefs	-	-	-
Appeal Attorney Fees	-	-	-
Appeal Costs & Expenses	-	-	-
Medical Expenses (IME)	-	-	1,050
Rehabilitation	10,852	2,969	44,152
Adjuster Expenses	235	86	1,503
Refund	-	-	-
Total Litigation Expenditures	175,097	\$150,447	\$707,556

ADMINISTRATIVE OPERATIONS

Revenue

The ISIF was dependent on a levy system for revenue funding prior to July 1, 1997. The levy was a percent of certain paid benefits assessed to insurance companies and self-insured employers on individual claims at the time of claim closure.

ASSESSMENT FORMULA BASED ON FISCAL YEAR

Fiscal Year	2004	2005	2006
Total Expenditures	\$4,720,163	\$3,292,704	3,293,014.40
Cash Available as of 6/30	5,227,340	6,795,081	6,066,395.77
Assessment	\$4,212,987	-\$209,673	\$519,633

Formula: Two times total expenditures less cash available equals assessment.

Over time the levy was inadequate to provide the sustained revenue needs of the ISIF. Without a change in revenue funding, the ISIF would have been unable to satisfy its obligations in early 1998. The current revenue system creates a method of funding that is certain.

ASSESSMENT TIME LINE

Assessment Date	Total Assessment	Indemnity Period	Due Date	Payment Amount
June 30, 2005	-\$209,673	7-1-05-->12-31-05 1-1-06-> 6-30-06	Apr-06 Sep-06	-\$104,837 -\$104,837
June 30, 2006	\$519,633	7-1-06-->12-31-06 1-1-07--> 6-30-07	Apr-07 Sep-07	\$259,817 \$259,817

Expenditure

The Industrial Special Indemnity Fund's administrative operating expenditures include salaries for three full time employees and general office expense. Operational cost (less litigation expenditures) increased by 11% in 1st Qtr of 2007, compared to expenditures in 1st Qtr 2006.

Benefit expense reflects all benefits paid in lump sum, arrearage or monthly annuitant payments. Total litigation costs; include all costs associated with claims adjudication such as attorney fees and costs, depositions, vocational rehabilitation and investigation

REVENUE - EXPENDITURE REPORT

	CY 2007		CY 2006	
Revenue	1st Qtr	YTD	1st Qtr	CY TOTAL
Beginning Cash Available	\$ 4,530,455	\$ 4,530,455	\$ 7,654,293	\$ 7,654,293
Assess/Interest Actual	62,751	62,751	81,815	373,136
Misc Rev/Refunds	8,877	8,877	3,097	9,085
Total Cash Available	4,602,083	4,602,082	7,739,205	8,036,514
Expenditure				
Administrative	62,850	62,850	56,862	254,209
Benefits	647,774	647,774	770,916	2,542,722
Litigation	175,097	175,097	150,447	707,669
Total Expenditures	885,721	885,721	978,225	3,504,600
ISIF Annuitant				(1,402)
PCARD				(57)
Ending Cash Balance	3,716,362	3,716,361	6,760,980	4,530,455

	FY 2007				FY 2006
Revenue	1st Quarter	2nd Quarter	3rd Quarter	2007 YTD	FY TOTAL
Beginning Cash Available	\$6,066,396	\$5,279,627	\$4,530,455	\$6,066,396	\$6,795,080
Assessment/Levy/Interest	84,975	70,795	71,628	227,397	\$2,563,651
Total Cash Available	\$6,151,371	\$5,350,422	\$4,602,082	\$6,293,793	\$9,358,731
Expenditure					
Administrative	\$76,541	\$55,229	\$62,850	194,620	\$263,579
Benefits	615,329	384,647	647,774	1,189,976	\$2,404,850
Litigation	178,360	380,145	175,097	368,393	\$624,586
Total Expenditures	\$870,231	\$820,021	\$885,721	\$1,752,990	\$3,293,014
ISIF Annuitant	1,513	57		1,570	(679)
Ending Cash Balance	\$5,279,627	\$4,530,455	\$3,716,361	\$4,539,233	\$6,066,396